

## **SECTION 8 – PENSION FUND ACCOUNTS**

### **FOREWORD**

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2022.

The Pension Fund's value increased over the year by £130m (8%), £1.617bn to £1.747bn. (the effects of the global market uncertainty from the war in Ukraine had starting to take effect by 31 March 2022 but may affect the value of the fund in 2022/23).

### **INTRODUCTION**

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS). The Fund is a contributory defined benefit pension scheme administered by the London Borough of Lewisham to provide benefits to London Borough of Lewisham employees and former employees and admitted and scheduled bodies. These benefits include retirement allowances and pensions payable to former employees and their dependants, lump sum death gratuities and special short-term pensions. The Fund is financed by income from investments and contributions from employees, the Council and other admitted and scheduled bodies.

### **ORGANISATION**

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation (referred to henceforth as "the Regulations"):

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also have to consider the PIC's views on socially responsible investments. Details of the Socially Responsible Investment policy are contained in the Investment Strategy Statement and published online (see web address below).

The Pension Board operates independently of PIC and assists the administering authority in securing compliance with the Regulations and any other legislation or codes of practice relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found online at the web address below.

The Pension Fund administration is managed by a small in-house team, which is also responsible for other areas of work such as redundancy payments, gratuities and teachers compensation.

A statement of the Fund's corporate governance, funding strategy and investment strategy can be found on the authority's Pension Fund website at the following address:

[www.lewishampensions.org](http://www.lewishampensions.org)

## Pension Fund Accounts

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2022

The fund account shows the surplus or deficit on the fund for the year.

	2021/22	2020/21	See
	£000	£000	note
<b><u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS</u></b>			
<b><u>DIRECTLY INVOLVED WITH THE SCHEME</u></b>			
<b>Contributions Receivable:</b>			
- from Employers	(46,855)	(35,439)	5
- from Employees	(10,929)	(10,822)	5
Transfer Values In	(8,096)	(3,605)	
Other Income	0	(347)	
<b>Sub-Total: Income</b>	<b>(65,880)</b>	<b>(50,213)</b>	
<b>Benefits Payable:</b>			
- Pensions	46,942	45,729	6
- Lump Sums: Retirement allowances	9,891	5,905	6
- Lump Sums: Death grants	1,310	1,983	6
<b>Payments to and on account of leavers:</b>			
- Refunds of Contributions	105	51	
- Transfer Values Out	14,788	5,351	
<b>Sub-Total: Expenses</b>	<b>73,036</b>	<b>59,019</b>	
<b>Sub-Total: Net (Additions)/ Withdrawals from dealings with members</b>	<b>7,156</b>	<b>8,806</b>	
Management Expenses	3,867	3,910	7
<b>Sub-Total: Net (Additions)/ Withdrawals including fund management expenses</b>	<b>11,023</b>	<b>12,716</b>	
<b><u>RETURNS ON INVESTMENTS</u></b>			
Investment Income	(18,777)	(18,254)	9
Change in market value of investments (Realised & Unrealised)	(122,628)	(259,794)	14b
Taxes on Income	9	191	
<b>Total Net Returns on Investments</b>	<b>(141,396)</b>	<b>(277,857)</b>	
<b>NET (INCREASE) / DECREASE IN THE FUND DURING YEAR</b>	<b>(130,373)</b>	<b>(265,141)</b>	
<b>OPENING NET ASSETS OF THE FUND</b>	<b>(1,617,349)</b>	<b>(1,352,208)</b>	
<b>CLOSING NET ASSETS OF THE FUND</b>	<b>(1,747,722)</b>	<b>(1,617,349)</b>	

## Pension Fund Accounts

## NET ASSETS STATEMENT AS AT 31 MARCH 2022

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2022.

	31/03/22 £000	31/03/21 Re-stated £000	See note
<b>INVESTMENT ASSETS</b>			
<b>Equities</b>			
Equities	107,822	95,341	10 - 14
	107,822	95,341	
<b>Managed Funds</b>			
Property	147,265	112,036	10 - 14
Equities	826,927	776,855	10 - 14
Fixed Interest	212,999	207,213	10 - 14
Index Linked	112,822	107,210	10 - 14
Other Assets	246,989	210,009	10 - 14
	1,654,824	1,508,664	
<b>Cash Held with Custodian</b>	92,992	105,524	18
<b>Derivative Contracts</b>			
Assets	0	0	16
Liabilities	0	0	16
<b>Other Investment Balances</b>	42	2,787	17a
<b>TOTAL INVESTMENTS</b>	1,747,858	1,616,975	
Current Assets	2,100	4,340	17b
Current Liabilities	(2,236)	(3,966)	17b
<b>TOTAL NET ASSETS</b>	1,747,722	1,617,349	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2022. This liability is included within the Authority's balance sheet.

## NOTES TO THE PENSION FUND ACCOUNTS

### Note 1: Basis of Preparation of Financial Statements

The Statement of Accounts summarise the Fund's transactions for 2021/22 and its position at year end and as at 31st March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits.

The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Asset Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Authority has opted to disclose this information in an accompanying report to the accounts, which is disclosed in Note 19.

The Pension Fund Accounts have been prepared on a going concern basis, with the assumption that the functions of the authority will continue in operational existence for the foreseeable future.

### Note 2: Summary of Significant Accounting Policies

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits are valued on an International Accounting Standard (IAS) 26 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December following the end of the financial year. The Council will be taking its Annual Report to its Pensions Investment Committee later in the year to comply with this deadline.

A summary of the significant accounting policies, valuation techniques, and the basis of preparation of the accounts are shown below:

- (a) **Investments** - Investments in the Net Assets Statement are shown at Fair Value. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.

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**Pension Fund Accounts**


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- (b) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (c) **Passive equity and bonds:** Passive equity and bonds dividend income earned from equity and bonds are reinvested and not repaid directly to the Fund as cash. Interest income is recognised in the Fund as it accrues.
- (d) **Private Equity Investments:** The Private Equity Investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement.
- (e) **Property:** The Property Funds do not have any direct investments in property, but use property Fund managers to invest in pooled property/unit trust funds. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- (f) **Pooled Investments:** Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published or, if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income that is reinvested in the fund, net of applicable withholding tax.
- (g) **Multi-Asset Credit Investments:** Multi-asset private credit investments are valued at Fair Value using external benchmarks such as the equity values of comparable companies to borrowers, Credit Default Swap or commodity price movements and macro-economic data.
- (h) **Infrastructure Assets:** Infrastructure assets are valued to determine the Fair Value of fund assets, using the Net Asset Value (NAV) of each investment in accordance with market best practice.
- (i) **Contributions** – These represent the total amounts receivable from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2021 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2021/22	
	Main Section	50/50 Section
Up to £14,600	5.50%	2.75%
£14,601 to £22,800	5.80%	2.90%
£22,801 to £37,100	6.50%	3.25%
£37,101 to £46,900	6.80%	3.40%
£46,901 to £65,600	8.50%	4.25%
£65,601 to £93,000	9.90%	4.95%
£93,001 to £109,500	10.50%	5.25%
£109,501 to £164,200	11.40%	5.70%
More than £164,201	12.50%	6.25%

The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities.

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**Pension Fund Accounts**


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This is assessed at each triennial actuarial revaluation. *The employer's contribution rate for the administering authority in 2021/22 is 22.5%, unchanged from 2019/20.*

- (j) **Benefits** – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (k) **Transfer Values** – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.
- (l) **Taxation** – The Fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (m) **VAT** – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on Fund activities. Any irrecoverable VAT is accounted for as an expense.
- (n) **Actuarial** – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out by the actuaries was as at 31 March 2019. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

<b>Financial Assumption</b>	<b>March 2019 (%)</b>	<b>March 2016 (%)</b>
Discount Rate	3.5	4.0
Price Inflation (CPI*)	2.3	2.1
Pay Increases	3.0	2.9
Benefit Increase	2.3	2.1
CARE Revaluation	2.3	2.1
Expenses	0.7	0.6

\* Consumer Price Index

With effect from 1 April 2017 to 31 March 2019, the actuarial review carried out for 31 March 2016 resulted in the Council's employer contribution rate being set at 22.5%.

The most recent triennial valuation as at the 31 March 2019 revealed that the Fund's assets, which at 31 March 2019 were valued at £1.387bn, were sufficient to meet 90% (78% in 2016) of the past service liabilities valued at £1.541bn (£1.328bn in 2016) accrued up to that date. The resulting deficit as at the 2019 valuation was £154m (£287m in 2016).

- (o) **Actuarial Present Value of Promised Retirement Benefits** – The actuarial present value of promised retirement benefits should be disclosed and based on the requirements of IAS 19 Post-Employment Benefits and relevant actuarial standards. As permitted under the Code, the Pension Fund financial statements include a note disclosing the actuarial present value of retirement benefits (see Note 19).

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The longevity assumptions for current pensioners are average future life expectancies at age 65, whilst future pensioners are assumed to be aged 45 at the last formal valuation; these longevity assumptions are consistent with the previous IAS26 disclosures for year ending 31 March 2021.

For sensitivity purposes, the actuary estimates that a 1 year increase in life expectancy would increase liabilities by approximately 3-5%.

- (p) **Investment Management and Administration** - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. All investment management expenses are accounted for on an accrual's basis. The Committee has appointed external investment managers to manage the investments of the Fund. Managers are paid a fee based on the market value of the investments they manage and/or a fee based on performance.
- (q) **Foreign currency:** Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
  - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
  - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (r) **Commitments** - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 21.
- (s) **Financial Instruments**
- (i) Financial Liabilities are recognised at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.
  - (ii) Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the value of the asset are recognised in the Fund account.  
The values of investments as shown in the net asset statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13
- (t) **Additional Voluntary Contributions ("AVCs")**  
Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 23.

### Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out above, the Council has had to make certain critical judgements about complex transactions or those involving uncertainty about future events. There were no such critical judgements made during 2021/22.

## Pension Fund Accounts

**Note 4: Assumptions Made About the Future and Other Major Sources of Uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions take account of historical experience, current trends and future expectations. However, actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if actual results differ from assumptions</b>
Actuarial present value of promised retirement benefits	The figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. However, the market disruption caused by the coronavirus outbreak will have mixed and uncertain impacts on all of those assumptions, possibly resulting in material changes to the disclosed present value of promised retirement benefits as at 31 March 2022. Further sensitivity analysis is included in note 19, below.	The effects on the net pension liability of changes in assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption is estimated to reduce the present value of the pension liability by £36.5m.
Property valuations	Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.	Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the percentage of volatility that can be applied to the Fund's Property assets in 2021/22, assuming all other variables such as foreign exchange rates and interest rates remain the same, is estimated to be 3.8%. This would be an increase or decrease in the value of property investments by £5.6m, on a fair value of £147m.

Pension Fund Liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 19. This estimate is subject to significant variances based on changes to underlying assumptions.



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**Note 5: Contributions Receivable**

	2021/22 £000	2020/21 £000
<b>Employer Contributions</b>		
Administering Authority	(39,866)	(28,556)
Scheduled Bodies	(6,436)	(6,191)
Admitted Bodies	(554)	(692)
	<b>(46,856)</b>	<b>(35,439)</b>
<b>Employee Contributions</b>		
Administering Authority	(8,606)	(8,566)
Scheduled Bodies	(2,141)	(2,062)
Admitted Bodies	(182)	(194)
	<b>(10,929)</b>	<b>(10,822)</b>

Contributions receivable from employers are shown below:

	2021/22 £000	2020/21 £000
<b>Employer Contributions</b>		
Normal	(45,063)	(34,672)
Early Retirement Strain	(1,623)	(357)
Deficit Funding	(170)	(410)
	<b>(46,856)</b>	<b>(35,439)</b>

**Note 6: Benefits Payable**By Category

	2021/22 £000	2020/21 £000
Pensions	46,942	45,729
Commutation and Lump Sum Retirement Benefits	9,891	5,905
Lump Sum Death Grants	1,310	1,983
	<b>58,143</b>	<b>53,617</b>

By Authority

	2021/22 £000	2020/21 £000
Administering Authority	54,305	48,055
Scheduled Bodies	2,717	4,007
Admitted Bodies	1,121	1,555
	<b>58,143</b>	<b>53,617</b>

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**Note 7: Management Expenses**

The table below shows a breakdown of the management expenses incurred during the year.

	2021/22 £000	2020/21 £000
Administration Expenses	1,161	1,018
Oversight and Governance Expenses	420	509
<u>Investment Management Expenses:</u>		
- Transaction Costs	220	15
- Management Fees	1,954	2,332
- Performance Fees	0	0
- Custody Fees	112	36
	<b>3,867</b>	<b>3,910</b>

**Note 8: External Audit Costs**

	2021/22 £000	2020/21 £000
Additional Audit fees for 2020/21	24	0
External Audit Services for 2021/22	38	36
<b>Total</b>	<b>62</b>	<b>36</b>

The Pension Fund's external auditors are Grant Thornton.

**Note 9: Investment Income**

The table below shows a breakdown of the investment income for the year:

	2021/22 £000	2020/21 £000
Cash	27	(59)
Bonds	(483)	0
Equities	(483)	0
Pooled property investments,	(3,941)	(3,233)
Pooled investments, unit trust & other managed funds	(7,573)	(9,798)
Private Equity, venture capital & infrastructure income	(6,324)	(5,164)
	<b>(18,777)</b>	<b>(18,254)</b>

## Pension Fund Accounts

**Note 10: Fund Assets**

The table below outlines the fund managers, asset classes, and values of those assets held by the Fund as at 31 March 2022.

<b>Fund Manager</b>	<b>Asset</b>	<b>Asset Value 31 March 2022 £000</b>	<b>Proportion of the Fund 31 March 2022 %</b>	<b>Asset Value 31 March 2021 £000</b>
<b>LCIV</b>	Passive Equity	459,186	26.3%	0
<b>UBS</b>	Passive Equity and Bonds*	409,857	23.4%	531,236
<b>Blackrock</b>	Passive Equity and Bonds	368,683	21.1%	636,109
<b>Schroders Property</b>	Property	153,961	8.8%	112,036
<b>J.P. Morgan</b>	Infrastructure	109,205	6.7%	74,260
<b>HarbourVest</b>	Private Equity	99,019	5.7%	86,452
<b>Pemberton</b>	Multi-Asset Credit	40,632	2.3%	38,127
<b>Partners Group</b>	Multi-Asset Credit	32,087	1.8%	33,175
<b>LCIV</b>	Infrastructure	24,900	1.4%	0
<b>LGIM</b>	Property	9,910	0.6%	0
<b>Various Managers</b>	Cash and other Assets	40,418	2.3%	105,579
<b>Lewisham</b>	Net Current Assets/(Liabilities)	(136)	0.0%	375
<b>Total Fund Assets</b>		<b>1,747,722</b>	<b>100.0%</b>	<b>1,617,349</b>

\*Note: as at 31 March 2022 there were no Bonds held with UBS, these had been transferred to Blackrock during the financial year.

**Note 11: Investment Analysis**

Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 22 are as follows:

		<b>£000</b>	<b>%</b>
Passive Equity Progressive Paris Aligned Fund	LCIV	459,186	26.3%
UBS Asset Management Fund	UBS	268,067	15.3%
Aquila Life UK Equity Index	Blackrock	112,822	6.5%
UBS Asset Management Life UK Equity Tracker	UBS	107,821	6.2%
BlackRock Pensions Aquila over 15 years	Blackrock	105,556	6.0%
Blackrock Fixed Income A	Blackrock	102,308	5.8%

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Individual Investment assets with a market value exceeding 5% of the total fund value as at 31 March 21 are as follows:

Asset	Manager	31 March 2021	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	240,024	14.8
Aquila Life US Equity Index Fund	Blackrock	214,030	13.2
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	126,901	7.8
UBS Asset Management Life UK Equity Tracker A Nav	UBS	95,341	5.9

### Note 12: Reconciliation in Movement in Investments

An analysis of investment movements in 2021/22 (includes cash, debtors and creditors) is set out below:

	Restated Market Value as at 31/03/2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000
Bonds	107,210	27,291	(28,150)	6,471	112,822
Equities	95,341	253,024	(243,782)	3,239	107,822
Pooled Investments	1,055,598	105,694	(114,813)	87,700	1,134,179
Pooled property Investments	112,036	13,098	(4,507)	26,638	147,265
Private equity/Infrastructure	138,480	49,072	(35,549)	733	152,736
	<b>1,508,665</b>	448,179	(426,801)	124,781	<b>1,654,824</b>
Derivative contracts:					
Forward currency contracts	0	124	(136)	11	0
	<b>1,508,665</b>	448,304	(426,937)	124,792	<b>1,654,824</b>
Other Investment balances:	3,118			(3,143)	(136)
Cash deposits	105,524			984	92,992
Amount receivable for sales of investments	10,800			0	0
Investment income due	42			0	42
Spot FX contracts	0			(5)	0
Amounts payable for purchases of Investments	(10,800)			0	0
	<b>1,617,349</b>			122,628	<b>1,747,722</b>

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Re-stated	Re-stated Market value as at 31 March 2020	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in Market Value during the year	Restated Market Value as at 31/03/2021
	£000	£000	£000	£000	£000
Bonds	88,785	14,483	0	3,942	107,210
Equities	75,079	400	-7,157	27,019	95,341
Pooled Investments	937,436	32,868	-116,119	220,171	1,055,598
Pooled property Investments	106,328	8,552	-3,119	275	112,036
Private equity/Infrastructure	123,065	15,574	-20,404	1,486	119,721
	<b>1,330,693</b>	<b>71,877</b>	<b>-146,799</b>	<b>252,893</b>	<b>1,508,664</b>
Derivative contracts:					
Forward currency contracts	0	6	-3	-3	0
	<b>1,330,693</b>	<b>71,883</b>	<b>-146,802</b>	<b>252,890</b>	<b>1,508,664</b>
Other Investment balances:	0			0	3,149
Cash deposits	28,393			-832	105,494
	17,500			0	10,800
Investment income due	37			0	42
Spot FX contracts	0			1	0
	-17,504			-7	-10,800
	<b>1,359,117</b>			<b>252,052</b>	<b>1,617,349</b>

## Pension Fund Accounts

## Note 13a: Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

Description of asset	Valuation Hierarchy	Basis of Valuation	Observable and Unobservable inputs	Key sensitivities affecting the valuations provided
UK Equities	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Global Equities	Level 1	The published bid market price on the final day of the accounting period	Not required	Not required
Bonds and Index Linked	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Property	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV - based pricing set on a forward basis	Not required
Cash	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
UK Fixed Income Managed Funds	Level 2	Average of broker prices	Evaluated price of feeds	Not required
UK Venture Capital	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Overseas Venture Capital	Level 2	Average of broker prices	Evaluated price of feeds	Not required
Private equity/ Overseas venture capital	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020)	- EBITDA Multiple - Revenue Multiple - Discount for lack of marketability - Control premium	Valuations could be affected by changes to expected cashflows or by differences between audited and unaudited accounts
Overseas Hedge Funds	Level 3	Valued by investing managers on a fair value basis each year using PRAG guidance	NAV - based pricing set on a forward basis	Valuations are affected by a change to the value of the financial instrument it is being hedged against

## Pension Fund Accounts

**Note 13b: Sensitivity of Assets Valued at Level 3**

The fund has determined that the valuation methods described above for level 3 investments are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022	Value on Increase	Value on Decrease
	%	£000	£000	£000
Overseas Hedge Fund	5.8%	94,253	99,720	88,786
Overseas Venture Capital	5.8%	58,803	62,213	55,392
<b>Total</b>		<b>153,056</b>	<b>161,933</b>	<b>144,178</b>

**Note 13c: Valuation of Financial Instruments carried at Fair Value**

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

**Level 1** – where fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities (quoted equities, quoted fixed securities, quoted index linked securities and unit trusts). Listed investments are shown at bid prices. The bid value is based on the market quotation of the relevant stock exchange.

**Level 2** – where market prices are not available, for example, where an instrument is traded in a market that is not considered to be active or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

**Level 3** – where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include infrastructure, which the Fund holds assets in, unquoted equity investments and hedge fund of funds, neither of which the Fund currently invests in.

The following table provides an analysis of the assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable:

## Pension Fund Accounts

Market Value as at 31/03/2022	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
<b>Financial assets at fair value through profit and loss</b>				
Bonds	0	112,823	0	112,823
Equities	0	107,822	0	107,822
Pooled investments	0	1,039,925	94,254	1,134,179
Pooled Property Investments	0	147,265	0	147,265
Private Equity	0	93,933	58,802	152,735
Derivative Assets	0	0	0	0
Cash deposits	92,992	0	0	92,992
Other investment assets	2,100	0	0	2,100
Investment income due	42			42
<b>Financial liabilities at fair value through profit and loss</b>				
Other investment liabilities	(2,236)	0	0	(2,236)
<b>Net financial assets</b>	<b>92,898</b>	<b>1,501,768</b>	<b>153,056</b>	<b>1,747,722</b>

Market Value as at 31/03/2021 - Re-stated	Quoted market price	Using observable inputs	With significant observable inputs	
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
<b>Financial assets at fair value through profit and loss</b>				
Bonds	0	107,210	0	107,210
Equities	19,271	95,341	0	114,612
Pooled investments	0	1,002,939	71,529	1,055,598
Pooled Property Investments	0	112,036	0	112,036
Private Equity	0	33,176	67,180	138,480
Derivative Assets	0	0	0	0
Cash deposits	105,524	0	0	105,524
Other investment assets	3,101	0	0	3,118
Investment income due	42	0	0	42
Amounts Receivable for Sales	10,800	0	0	10,800
<b>Financial liabilities at fair value through profit and loss</b>				
Payable for investment purchases	(10,800)	0	0	(10,800)
<b>Net financial assets</b>	<b>127,938</b>	<b>1,350,702</b>	<b>138,709</b>	<b>1,617,349</b>



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Pension Fund Accounts

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**Note 13d: Transfers between Levels 1 and 2**

There has not been any transfers between Level 1 and Level 2 assets in 2021/22.

**Note 13e: Reconciliation of Fair Value Measurements within Level 3**

	Market Value as at 31/03/2021	Transfers in/out of level 3	Purchases	Sales	Unrealised gains (losses)	Realised gains (losses)	Market Value as at 31/03/2022
	£000	£000	£000	£000	£000	£000	£000
Overseas Hedge Fund	71,530	0	0	(1,266)	24,057	(67)	94,254
Overseas Venture Capital	67,179	0	8,668	(19,092)	(10,419)	12,466	58,802
<b>Total</b>	<b>138,709</b>	<b>0</b>	<b>8,668</b>	<b>(20,358)</b>	<b>13,638</b>	<b>12,399</b>	<b>153,056</b>

## Pension Fund Accounts

## Note 14a: Classification of Financial Instruments

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified between accounting categories during the year ended 31 March 2022.

Restated Market Value as at 31/03/2021 Designated as fair value through profit and loss £000	Loans and receivables £000	Financial liabilities £000		Designated as fair value through profit and loss £000	Loans and receivables £000	Market Value as at 31/03/2022 Financial liabilities £000
			<b>Financial assets</b>			
107,210			Bonds	112,822		
95,341			Equities	107,822		
1,055,597			Pooled investments	1,134,179		
112,036			Pooled property Investments	147,265		
138,480			Private equity/infrastructure	152,736		
0			Diversified Alternatives	0		
0			Property	0		
0			Derivative Assets	0		
0	105,524		Cash deposits	0	92,992	
3,118	42		Other investment balances	0	42	
0	10,800		Debtors	0	2,100	
<b>1,511,783</b>	<b>116,366</b>	<b>0</b>		<b>1,654,824</b>	<b>95,134</b>	<b>0</b>
			<b>Financial liabilities</b>			
0			Derivative liabilities	0		
		0	Other Investment balances		0	
		(10,800)	Creditors			(2,236)
<b>0</b>	<b>0</b>	<b>(10,800)</b>		<b>0</b>	<b>0</b>	<b>(2,236)</b>
<b>1,511,783</b>	<b>116,336</b>	<b>(10,800)</b>	<b>Total</b>	<b>1,654,824</b>	<b>95,134</b>	<b>(2,236)</b>
	<b>1,617,349</b>		<b>Grand Total</b>		<b>1,747,722</b>	

## Pension Fund Accounts

**Note 14b: Net Gains and Losses on Financial Instruments**

The following table shows net gains on financial instruments:

	31/03/22 £000	31/03/21 £000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	124,781	260,635
Loans and receivables	985	
Assets at Amortised Cost		(834)
<b>Financial Liabilities</b>		
Fair value through profit and loss	11	
Liabilities at Amortised Cost	(3,149)	(7)
	<b>122,628</b>	<b>259,794</b>

**Note 15: Nature and Extent of Risks Arising from Financial Instruments**

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore the Fund holds a mix of financial instruments such as securities (equities, bonds), interests in collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The Fund's custodian is Northern Trust, who manage investments and report on them on behalf of the Fund. As the Fund adopts a long term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

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**Pension Fund Accounts**


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**a) Market Risk**

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and pooled investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of investments by asset class and establishing mandate guidelines with investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

**i) Other Price Risk – Market**

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

**ii) Other Price Risk – Sensitivity analysis**

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smoothes out short term price volatility.

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following asset level percentages of volatility can be applied to the Fund's assets in 2021/22, assuming all other variables such as foreign exchange rates and interest rates remain the same:

<b>Asset Type</b>	<b>Potential Market Movement +/- (% p.a.)</b>
Bonds	9.1
UK Equities	16.2
Overseas Equities	13.0
Fixed Income unit trusts	9.1
Equity unit trusts	16.2
Hedge funds	5.8
Pooled property Investments	3.8
Private equity/Infrastructure	5.8
Other Investments	2.8
Cash	2.8
<b>Total</b>	<b>7.9</b>

Applied to the period end asset mix, the potential impact on the Fund's market value in the next financial year is as follows:

## Pension Fund Accounts

Asset type	Market Value as at 31/03/2022	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	92,992	2.8	95,605	90,379
<b>Investment portfolio assets:</b>				
Bonds	112,822	9.1	123,135	102,511
UK Equities	107,822	16.2	125,289	90,355
Overseas equities	96,964	13.0	109,569	84,358
Fixed Income unit trusts	212,999	9.1	225,353	193,616
Equity unit trusts	729,964	16.2	961,136	611,710
Hedge funds	94,253	5.8	99,720	88,786
Pooled property Investments	147,265	3.8	161,594	141,624
Private equity/Infrastructure funds	152,735	5.8	177,524	143,877
Other funds	-94	2.8	-97	-92
<b>Total assets * **</b>	<b>1,747,722</b>		<b>1,948,319</b>	<b>1,547,124</b>

\* This figure includes derivatives and other investment balances.

\*\* The % change and value change for Total Assets includes the impact of correlation across asset classes

The 2020/21 comparator table is as follows:

Asset Type	Re-stated Final Market Value as at 31 March 2021	Percentage Change	Value on Increase	Value on Decrease
	£000	%	£000	£000
<b>Cash and cash equivalents</b>	105,524	1.8	107,423	103,624
<b>Investment portfolio assets:</b>				
Bonds	107,210	7.9	115,680	98,741
Equities	95,341	17.1	111,644	79,038
Overseas equities	409,426	14.7	469,612	349,240
Fixed Income unit trusts	207,214	7.9	223,583	190,843
Equity unit trusts	367,429	17.1	430,259	304,598
Hedge funds	71,529	4.2	74,533	68,525
Pooled property Investments	112,036	1.9	114,166	109,908
Private equity/Infrastructure funds	138,480	4.2	1462,159	114,800
Other funds	3,161	1.8	3,218	3,104
<b>Total Assets * **</b>	<b>1,617,349</b>		<b>1,812,277</b>	<b>1,422,421</b>

\* This figure includes derivatives and other investment balances.

\*\* The % change and value change for Total Assets includes the impact of correlation across asset classes

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**Pension Fund Accounts**


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**iii) Interest Rate Risk**

The Fund invests in financial assets for the primary purpose of obtaining a return on its investments. Fixed interest securities and cash are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fixed interest securities, cash and cash equivalents are exposed to interest rate risk.

**iv) Interest Rate Risk – Sensitivity Analysis**

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

The analysis demonstrates that a 1% increase in interest rates will reduce the fair value on fixed interest assets (obviously the interest received will not change), and vice versa.

Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Asset type	Market Value as at 31/03/2022	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
<b>Cash and cash equivalents</b>			
<b>Cash</b>	92,992	0	0
<b>Bonds</b>			
UK public sector Index linked	112,822	(1,128)	1,128
<b>Total change in assets available</b>	<b>205,814</b>	<b>(1,128)</b>	<b>1,128</b>

Asset type (re-stated)	Market Value as at 31/03/2021	Change in year in the net assets available to pay benefits	
		+100 BPS	-100 BPS
	£000	£000	£000
<b>Cash and cash equivalents</b>			
<b>Cash</b>	105,524	0	0
<b>Bonds</b>			
UK public sector Index linked	107,210	(1,072)	1,072
<b>Total change in assets available</b>	<b>212,734</b>	<b>(1,072)</b>	<b>1,072</b>

**v) Currency Risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund was exposed to the following significant foreign currency levels at the 31 March 2022:

Euro                    €20.9m                    (€10.6m 20/21)

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**Pension Fund Accounts**


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US Dollars      \$84.8m      (\$230.4m 20/21)

The remaining exposures arise from much smaller holdings of other currencies including Swiss Francs, Hong Kong Dollars and Norwegian Krone.

**vi) Currency risk – sensitivity analysis.**

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. Overseas equities, fixed interest securities and cash in foreign currencies are exposed to currency risk. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2021/22 to be 7.3% (7.7% in 2020/21). This volatility is applied to the Fund's overseas assets at period end as follows:

<b>Asset Type</b>	<b>Asset Value at 31 March 22 £000</b>	<b>Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
Overseas Fixed Income	107,516	7.3	115,365	99,668
Overseas Equity Funds	96,964	7.3	104,042	89,885
Overseas Hedge Funds	94,253	7.3	101,134	87,373
Other Alternative Assets	97,0477	7.3	104,131	89,962
<b>Total</b>	<b>395,780</b>	<b>7.3</b>	<b>424,672</b>	<b>366,888</b>

<b>Asset Type (Re-stated)</b>	<b>Asset Value at 31 March 21 £000</b>	<b>Change %</b>	<b>Value on Increase £000</b>	<b>Value on Decrease £000</b>
Overseas Fixed Income	105,701	7.7	113,840	97,562
Overseas Equity Funds	428,184	7.7	461,154	395,214
Overseas Hedge Funds	71,529	7.7	77,037	66,022
Other Alternative Assets	86,511	7.7	93,172	79,849
<b>Total</b>	<b>691,925</b>	<b>7.7</b>	<b>745,203</b>	<b>638,647</b>

**b) Credit Risk**

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties, including; brokers, custodian and investment managers, seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

## Pension Fund Accounts

	Rating	Balances at 31 March 2022	Balances at 31 March 2021
		£000	£000
Barclays	A +	1,386	3,877
Northern Trust	AA -	92,992	105,524
<b>Total</b>		<b>94,378</b>	<b>109,401</b>

**c) Liquidity Risk**

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2022 these assets totalled approximately £112.8m comprising of bonds (see note 15.iv), with a further £93.0m held in cash by the custodian on behalf of the Fund and fund managers.

**Note 16: Derivative Contracts**

As at 31 March 2022 there were no pending foreign exchange purchases or sales. The net gain related to foreign exchange forward contracts was £11k in 2021/22 (net loss £6k in 2020/21).

**Note 17a: Other Investment Balances**

These comprise the following amounts:

	31/03/22 £000	31/03/21 £000
<b>Debtors</b>		
Equity Dividends / Income from Managed Funds	23	1,494
Interest and Other Income	19	(10)
Pending Trades	0	12,085
<b>Creditors</b>		
Interest and Other Expenditure	0	(7)
Pending Trades	0	(10,793)
<b>Net</b>	<b>42</b>	<b>2,769</b>



## Pension Fund Accounts

**Note 17b: Net Current Assets**

These comprise the following amounts:

**Current Assets**

	31/03/22 £000	31/03/21 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	57	341
Interest and Other Income	0	0
Other Current Assets	657	122
Cash in Hand	1,386	3,877
	<b>2,100</b>	<b>4,340</b>

**Current Liabilities**

	31/03/22 £000	31/03/21 £000
Fund Manager and Custody Fees	(498)	(357)
Consultancy/ Advisory Fees	(153)	(33)
Other Current Liabilities	(1,585)	(3,576)
	<b>(2,236)</b>	<b>(3,966)</b>

**Note 18: Cash and Bank****Cash Held With Custodian**

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2022 was £93.0m (£105.5m as at 31 March 2021). The table below shows how this was split between the Fund Managers.

<b>Fund Manager</b>	<b>31-Mar-22 £'000</b>	<b>31-Mar-21 £'000</b>
Cash Account (Formerly Invesco)	39,851	76,471
HarbourVest	20,122	9,267
JP Morgan	14,951	6,423
Partners Group	11,246	4,263
Schroders	3,904	8,720
Pemberton	2,352	0
Cash Account (Formerly Fauchier)	548	365
Securities Lending	15	14
UBS	1	1
BlackRock transition account	1	0
	<b>92,991</b>	<b>105,524</b>

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**Pension Fund Accounts**


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**Pension Fund Bank Account**

The Lewisham cash in hand balance of £1.4m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2022. The Fund's accounts are held with Barclays Bank.

**Note 19: Actuarial Present Value of Promised Retirement Benefits**

The table below shows the total net liability of the Fund as at 31 March 2022. The figures have been prepared by Hymans Robertson LLP, the Fund's actuary, only for the purposes of providing the information required by IAS26. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pension's legislation. In calculating the required numbers, the actuary adopted methods and assumptions that are consistent with IAS19.

	<b>31-Mar-22</b>	<b>31-Mar-21</b>
	<b>£m</b>	<b>£m</b>
Present value of promised retirement benefits	(1,995)	(2,369)
Fair Value of Scheme Assets	1,413	1,601
Net Liability	(582)	(768)

**Longevity assumptions**

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

<b>Longevity Assumptions for year ended 31 March 2022</b>	<b>Males</b>	<b>Females</b>
Current Pensioners	21.2	23.8
Future Pensioners	22.5	25.5

**Financial assumptions**

	<b>31-Mar-22 (%)</b>	<b>31-Mar-21 (%)</b>
Discount Rate	2.7	2.0
Salary Increases	3.9	3.6
Pension Increases	3.2	2.9

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**Pension Fund Accounts**


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**Sensitivity Analysis**

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

<b>Sensitivity to the assumptions for year ended 31 March 2022</b>	<b>Approximate increase to liabilities (%)</b>	<b>Approximate monetary amount (£000)</b>
0.1% p.a. decrease in the Real Discount Rate	2	36,509
1 year increase in member life expectancy	4	79,811
0.1% p.a. increase in the Salary Increase Rate	0	2,234
0.1% p.a. increase in the Pension Increase Rate	2	34,016

**Note 20: Events after the Reporting Period**

The audited Pension Fund Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources on 29 July 2022. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no events after the balance sheet date to report for 2021/22.

**Note 21: Contractual Commitments**

The Pension Fund was committed to the following capital contributions as at the 31 March 2022:

<b>Fund Manager</b>	<b>Fund</b>	<b>Contractual Commitment</b>	<b>Undrawn Capital</b>
Harbourvest	Harbourvest Closed Ended Funds	£123,402,553	£36,873,150
Legal and General	LGIM Build to Rent	£45,000,000	£35,000,000
JP Morgan	JP Morgan Infrastructure	£105,000,000	Fully drawn
London CIV	LCIV Renewable Infrastructure	£90,000,000	£65,100,453
London CIV	LCIV private debt*	N/A	N/A
Pemberton	Pemberton European Mid-Market Debt Fund II	£40,000,000	£5,606,682
Partners Group	Partners Group MAC	£40,000,000	Fully drawn
<b>Total</b>		<b>£443,402,553</b>	<b>£142,580,285</b>

\*Investment into the LCIV private debt fund was approved prior to March 2022, however the commitment was not formalised until June 2022.

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**Pension Fund Accounts**


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**Note 22: Related Party Transactions**

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

- The Chair of the Investment Committee Councillor Mark Ingleby declared an interest as a Councillor elected Director of Lewisham Homes, the Council's housing subsidiary, not in receipt of pension.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2022.

The Council, the administering authority, had dealings with the Fund as follows:

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted (included in Administration Expenses in Note 7). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently Pension Fund cash balances are held by the Council from time to time and vice versa.

**Key Management Personnel Remuneration**

The key management personnel of the Fund are the Executive Director of Corporate Resources and the Director of Finance.

There were no costs apportioned to the Pension Fund in respect of the Executive Director of Corporate Resources post for 2020/21 and 2021/22.

Total remuneration payable to key management personnel from the Pension Fund is set out below:

	<b>2021/22</b> <b>£'000</b>	<b>2020/21</b> <b>£'000</b>
Short Term Benefits	10	21
Post-Employment Benefits	4	4
<b>Total</b>	<b>14</b>	<b>25</b>

## Pension Fund Accounts

**Note 23: Additional Voluntary Contributions (AVC's)**

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The Fund has two AVC providers: Clerical Medical and Utmost (formerly Equitable Life). The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham Fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

	2021/22			2020/21		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
<b>Value at the Beginning of Year</b>	<b>356</b>	<b>1,106</b>	<b>1,462</b>	<b>421</b>	<b>986</b>	<b>1,407</b>
Contributions and Transfers Received	0	181	<b>181</b>	0	286	<b>286</b>
Investment Return	16	64	<b>80</b>	29	156	<b>185</b>
Paid Out	(20)	(327)	<b>(347)</b>	(94)	(322)	<b>(416)</b>
<b>Value at the End of the Year</b>	<b>352</b>	<b>1,024</b>	<b>1,376</b>	<b>356</b>	<b>1,106</b>	<b>1,462</b>

**Note 24a: Scheduled Bodies**

The following are scheduled bodies to the Fund as at 31 March 2022, arranged in descending order by the value of their contributions in 2022/22:

Lewisham Homes Limited
Haberdashers' Aske's Hatcham College
Christ The King Sixth Form College
St Matthews Academy
Tidemill Academy
Childeric
Sedgehill School
St George's Academy

## Pension Fund Accounts

**Note 24b: Admitted Bodies**

The following are admitted bodies to the Fund as at 31 March 2022, arranged in descending order by the value of their contributions in 2021/22

Youth First Ltd
Phoenix
Inspace/ BS Phoenix
Skanska
Change Grow Live / CIS / Penrose
Lewisham Music
Quality Heating
GLL
City West Services
3 C's Support
Housing 21
Pre-School Learning Alliance
NSL Ltd (formerly known as National Car Parks Ltd)
Tower Services
Harrison Catering Crayford
Harrison Catering Hatcham
Harrison Catering Knights
M Group Services

**Note 25: Membership**

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the London Borough of Lewisham Pension Fund include:

Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.

Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

The following table summarises the membership numbers of the scheme:

	Active Members		Deferred Beneficiaries		Retired Members	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Administering Authority	5,522	5,745	9,867	10,593	7,824	7,629
Scheduled Bodies	1,021	1,083	1,210	1,323	435	389
Admitted Bodies	74	79	62	60	80	76
	<b>6,617</b>	<b>6,907</b>	<b>11,139</b>	<b>11,976</b>	<b>8,339</b>	<b>8,094</b>